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TO AMEMBASSY BEIJING PRIORITY
INFO MISSILE TECHNOLOGY CONTROL REGIME COLLECTIVE PRIORITY

S E C R E T STATE 039690

SIPDIS

E.O. 12958: DECL: 04/15/2033
TAGS: [PARM](#) [MTCRE](#) [PREL](#) [ETTC](#) [CH](#) [IR](#)

SUBJECT: (S) CONTINUED ASSISTANCE TO IRAN'S MISSILE
PROGRAM BY SHANGHAI TECHNICAL BY-PRODUCTS INTERNATIONAL
CORPORATION

REF: A. 06 STATE 193753
[1](#)B. 06 BEIJING 24237
[1](#)C. 07 STATE 028429
[1](#)D. 07 STATE 035579
[1](#)E. 07 STATE 095930
[1](#)F. 07 BEIJING 004643
[1](#)G. 07 BEIJING 005361
[1](#)H. 07 STATE 135722
[1](#)I. 07 BEIJING 006398

Classified By: ISN/MTR DIRECTOR PAM DURHAM
REASONS 1.5 (B), (C) AND (D).

[1](#)1. This is an action request. Embassy Beijing, please see paragraph 6.

[1](#)2. (S) Background/Objectives: Since November 2006, we have discussed with PRC authorities extensive cooperation between the Chinese company Shanghai Technical By-Products International Corporation (STBPI) and Iran's ballistic missile program (Reftels). In our most recent discussions of this case in September 2007, we alerted the PRC to efforts by STBPI to supply integrated circuits, specialty aluminum, and stainless steels to the Iranian entities Ecxir Trading Company and Sabalan Company (Ref H). Both Ecxir Trading Company and Sabalan Company are associated with Iran's liquid-propellant ballistic missile developer Shahid Hemmat Industrial Group (SHIG), an entity designated under United Nations Security Council Resolution (UNSCR) 1737.

[1](#)3. (S) We now would like to provide China with additional details regarding STBPI's dealings with Ecxir Trading Company and Sabalan Company. Specifically, since our September 2007 discussions, we have learned that STBPI has continued its efforts to supply Ecxir Trading Company with 23 tons of Chinese-origin LF6 aluminum bars. As indicated in Ref H, we previously shared information with the PRC that STBPI had offered 23 tons of this same type of aluminum, which can be used to produce a variety of ballistic missile components, to Ecxir Trading Company in June 2007. More recently, Ecxir Trading Company has submitted additional orders for specialty steels to STBPI in December 2007 and January 2008.

[1](#)4. (S) We also understand that STBPI shipped U.S.-origin integrated circuits and offered Chinese-origin, PVC insulated wire to Sabalan Company in mid-October 2007. These integrated circuits are suitable for use in the analog flight computers of Scud-based missile systems and this type of insulated wire has been associated with missile applications. Some of these integrated circuits are U.S.-origin and this order is likely related to an order that we brought to China's attention in September 2007 (Ref H). Some of these dealings between STBPI and Iran were coordinated by Doostan International, a firm we have previously discussed with Chinese authorities due to its longstanding role as an intermediary for transactions involving missile-related entities in Iran (Refs A, C and D).

[1](#)5. (S) We now want to share additional details concerning this case with the PRC, noting that these transactions appear to be inconsistent with UNSCR 1737 and that, since one of

these deals involves U.S.-origin items, STBPI may also be violating U.S. export control restrictions regarding Iran. We want to strongly urge Chinese officials to immediately investigate this activity and take measures to end further assistance by STBPI to Iran's ballistic missile program.

¶6. (U) Action Request: Request Embassy Beijing approach appropriate host government officials to deliver talking points in paragraph 7 and report response. Talking points also may be provided as a non-paper.

¶7. (S) Begin talking points/non-paper:

(SECRET REL CHINA)

-- Since November 2006, we have been providing your government information regarding extensive cooperation between Shanghai Technical By-Products International Corporation (STBPI) and Iran's ballistic missile program.

-- Most recently in September 2007, we alerted you to efforts by STBPI to supply integrated circuits, specialty aluminum, and steel to the Iranian entities Ecxir Trading Company and Sabalan Company.

-- You will recall that both Ecxir Trading Company and Sabalan Company are associated with Iran's liquid-propellant ballistic missile developer Shahid Hemmat Industrial Group (SHIG), an entity designated under United Nations Security Council Resolution (UNSCR) 1737.

-- Since our September 2007 discussions, we are not aware of any actions you have taken to curtail STBPI's business dealings with missile-related customers in Iran.

-- In the spirit of our nonproliferation cooperation, we now would like to provide you with additional details regarding STBPI's dealings with Ecxir Trading Company and Sabalan Company.

-- Specifically, we understand that in August 2007, STBPI submitted a revised offer to Ecxir Trading Company regarding the sale of 23 tons of Chinese-origin type LF6 aluminum bars.

-- You will recall from our last discussions of this case that STBPI offered 23 tons of this same type of aluminum to Ecxir Trading Company in June 2007.

-- LF6 aluminum, which is also known by the designators 5A06 or AlMg6, could be used by Ecxir Trading Company to produce fittings, flanges, fuel control valves, or structural components for ballistic missiles. In other forms, LF6 aluminum is suitable for use in ballistic missile airframes.

-- In addition, our information indicates that Ecxir Trading Company has continued to approach STBPI concerning purchases of specialty steels, submitting orders to STBPI in December 2007 and January 2008.

-- STBPI has also continued its efforts to supply U.S.-origin integrated circuits to Sabalan Company, shipping over 100 of these items to Iran via Hong Kong in mid-October 2007.

-- You will recall that we alerted you that approximately \$26,000 worth of integrated circuits, some of which were U.S.-origin, had been ordered from STBPI by Sabalan Company in July 2007.

-- Although not controlled by the Missile Technology Control Regime (MTCR), we believe the integrated circuits exported by STBPI to Iran in October 2007 are suitable for use in the analog flight computers of Scud-based missile systems.

-- During the same time period, STBPI also offered Chinese-origin, PVC-insulated wire to Sabalan Company. Known as ASTVR wire, this material is resistant to high-heat and abrasions and commonly used in aircraft and missile applications.

-- Some of these dealings between SPTBI and Iran's ballistic missile program were coordinated by Doostan International, a firm we have also previously brought to your attention as an entity that routinely acts as an intermediary for transactions involving missile-related entities in Iran, including SHIG and the solid-propellant ballistic missile developer Shahid Bakeri Industrial Group (SBIG).

-- As we have noted previously in our discussions of this case, the transfer to Iran of U.S.-origin items without authorization is not permitted under U.S. export control regulations. Moreover, given that these goods are being supplied to affiliates of Iran's SHIG, we believe these transactions are inconsistent with UNSCR 1737.

-- We therefore strongly urge you to immediately investigate this activity and take measures to end further assistance by STBPI to Iran's ballistic missile program.

-- We look forward to continuing cooperation with your government on nonproliferation matters.

End talking points/non-paper.

18. (U) Washington POC is ISN/MTR James Mayes (Phone: 202-647-3185). Please slug any reporting on this issue for ISN and EAP.

19. (U) A word version of this document will be posted at www.state.gov/demarche.
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End Cable Text